



Missouri Department of Revenue

Tax Bulletin

Volume 5, No. 2

Summer 1996



'Directly' Speaking . . .

I hope that all of you enjoyed successful busy seasons. I wanted to thank you for your outstanding cooperation with the Department this year, particularly those of you who volunteered to review and help improve Missouri's tax forms! Your experience and knowledge are key to the success of the Department's efforts to improve the services it provides to Missouri taxpayers.

Busy Season Update. By the time you receive this issue of the *Tax Bulletin*, the Department's tax busy season should be finished. On May 13, the Department set a new record by completing the processing of all Missouri individual income tax returns that were timely filed by April 15; we anticipate that all related refunds will be mailed by the end of May. We have been able to return to "normal" shift staffing and the processing of delinquent returns is progressing quickly.

Electronic Filing Programs. I am also pleased to report that, to date, more than 145,000 Missouri individual income tax returns have been filed electronically, compared to approximately

47,000 electronically filed returns last year. We hope that more taxpayers will choose this convenient and accurate filing method in the coming years. The pilot programs that the Department is currently developing for the electronic filing for business tax returns are also progressing on schedule; we will continue to keep you posted on our progress.

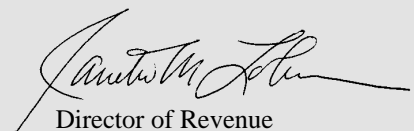
Call Practitioner Program. The second year of the Department's program to directly contact practitioners when information is missing from returns was also somewhat more successful than last year: approximately 67% of the practitioners responded positively to our inquiries compared to roughly 50% last year. This program permits the Department to complete processing returns more quickly and spares taxpayers the trouble and expense of responding to written notices at a later date. Given the increase in positive results, the Department will continue to offer this program next year.

Refund Inquiry Line. I hope that many of you and your clients were able to take advantage of the new Refund Inquiry Line that the Department imple-

mented last January. To date, more than 60,000 callers have used this toll-free service to determine the status of their refund checks. We were delighted with the first year's results and intend to continue to offer it next year.

New Delinquent Tax Collection Systems. By April, the Department had completed its 18-month project to totally revamp its delinquent tax collection systems. The new call management and computer tracking systems have streamlined the Department's delinquent tax collection systems by consolidating all tax types under single accounts, and by automating the routine task of dialing taxpayers. Collection Specialists are now able to access complete information about taxpayers' tax situations, which greatly enhances their ability to provide accurate, timely and responsive information to the taxpayers. These excellent new tools will result in improved Departmental efficiency and effectiveness.

We truly appreciate your feedback and look forward to hearing from you!


Director of Revenue

Local Use Tax

by Ken Pearson, Administrator,
Tax Administration Bureau, (573) 751-3804

In a unanimous decision, the Missouri Supreme Court found the local use tax statute, Section 144.748, RSMo, unconstitutional in its entirety. Following the Court's mandate in that decision, the Department began preparing to issue refunds.

At the time of the Court's decision, the Department had collected and distributed \$209.6 million in local use tax between

July 1992 and March 1996. Of that amount, approximately \$31 million is now out of statute. During the period between the Court's decision and its mandate, the Department received and placed in escrow \$11.1 million of local use tax from taxpayers. The Department notified by letter all use tax accounts to cease collecting local use tax.

The Department received payments under protest from 157 accounts, totaling \$10.6 million. The Department has
see Local page 2

In this issue

- Telefile 2
- Legislative Update 2
- Electronic Filing Update 3
- Court Cases 4-5
- Letter Rulings 5
- Rules Take Effect 6
- Taxpayer Assistance 6
- What to Expect on a Sales Tax Audit 7

Telefile

by Lesa Morrow, Administrator, Central Processing Bureau, (573) 751-5820

The Department is developing a telefile application for filing withholding tax returns. We are optimistic that the application will be completed to allow employers to file June withholding tax returns due July 31 by using the telefile system.

To file withholding by telephone, the employer must complete a Trading Partner Agreement. Upon receipt of the agreement, the Central Processing Bureau will issue the employer a Personal Identification Number (PIN) that will serve as his signature when filing by telefile. The employer will enter his PIN, identification numbers and the return information via the telephone as the system prompts for each entry. At the completion of the call the telefile application will provide the employer with a confirmation number made up of a julian date and a sequence number. That number will be imbedded in the Document Locator Number assigned to the return and can be used by the employer when referencing any telefiled transaction with the Department. If the employer owes, he must complete an ACH transaction with his bank, authorizing the bank to transfer the appropriate amount of money to the Department's bank account. The money and the return will be reconciled programmatically and posted to the withholding tax system.

The Department is also developing sales tax and income tax telefile applications. Further information on implementation dates for these applications will be available in future Tax Bulletins.

To obtain more information about the telefile programs or to request a Trading Partner Agreement, please write to Maria Micke, Tax Program Coordinator, P.O. Box 371, Jefferson City, Missouri 65105-0371 or call (573) 751-3930.

Legislative Update

by Vickie Wood, Office of Legislation and Regulations, (753) 751-2110

The General Assembly approved 12 bills relating to taxation during the past legislative session. A synopsis of each measure is provided below. Please note at time of publication the bills signed by the Governor are indicated in the synopsis.

HB 1098 – Allows a delinquent taxpayer an informal hearing with the Director of Revenue to facilitate the possibility of a negotiated settlement. Allows the elimination of sales tax on certain property that is leased with the specific intent of sub-leasing. Broadens the definition of a disabled person for Missouri Property Tax Credit purposes and changes residency and age requirements for this tax. Allows certain corporations to use a different method of allocating taxable income when

see Update page 3

Local

from page 1

already refunded protested local use tax and interest to taxpayers.

As of June 4, the Department had received 1,431 refund requests, totaling \$44.3 million. Section 144.749, RSMo, authorizes the Department to withhold from the future tax distributions of those local governments that received local use tax, an amount sufficient to pay local use tax refunds and interest prescribed in Section 32.087, RSMo. The Department met with representatives from the Missouri Municipal League and the Missouri Association of Counties and advised them that the Department will withhold \$5 million per month from future sales tax distributions of cities to cover local use tax refunds beginning with the June sales tax distribution. The Department sent a letter to the cities and

counties that had received the local use tax, advising each of the amount of sales tax that would be withheld monthly. On June 4, 24 cities and 17 counties filed suit in Cole County Circuit Court asking the court to enjoin the Department of Revenue from issuing local use tax refunds and credits, and enjoin the Department from withholding from sales tax distributions to local governments to pay the refunds. The Court issued a temporary restraining order which ordered the Department not to issue local use tax refunds or credits and not to withhold from future sales tax distributions to local governments.

The Department has prepared a letter informing cities and counties that the Department will neither withholding from future sales tax distributions nor issue local use tax refunds pending a final determination from the Court.

Although the Department has been restrained from issuing local use tax refunds, it will continue to accept refund applications. To apply for a refund, taxpayers must complete Form 472B, Application for Tax Refund/Credit. (Be sure to sign the form and have it notarized. This is the most common error made by applicants.) Send the completed application and amended returns to the Department.

The Missouri General Assembly enacted, and Governor Carnahan signed, SB 981 which permits cities and counties to enact local option sales taxes that are equivalent to the existing sales tax rate in effect. The law provides that once adopted, the local use tax will automatically change to match any change in the local sales tax.

If you have questions concerning local use tax refunds, contact Kenneth M. Pearson or Pat Gifford at (573) 751-3804.



Missouri Department of Revenue

Mel Carnahan, Governor; **Janette M. Lohman**, Director of Revenue; **Robert G. Schemenauer**, Director Division of Taxation and Collection

Tax Bulletin is published three times a year by the Missouri Department of Revenue, Linda Bushman, Editor; Rob Davis, Senior Publications Specialist.

Comments and suggestions should be sent to Missouri Department of Revenue, 301 W. High St., P.O. Box 629, Jefferson City, Missouri 65105-0629 or you may submit E-mail to rdavis@mail.state.mo.us

Update

from page 2

computing Missouri taxable income.

This bill was to provide information to cities having a cigarette tax that would aid them in the collection of such tax.

HB 1223 – Local sales taxes on motor vehicle leases are to be based on address of lessee at time of initial lease. (Formerly based on location of motor vehicle leasing company.)

HB 1237 – This bill includes numerous changes to the economic development laws. Legislation allows certain cities and counties, by voter approval, to impose a 5% room tax; allows certain counties to impose a sales tax on retail sales for local economic development; exempts non reusable items furnished to hotel or motel guests from use and sales tax; changes definition of certain machinery for sales tax purposes; exempts materials used to manufacture samples of prescription drugs; reinstates the Wood Energy Tax Credit and defines processed wood products; and extends the debt offset definition of state agency.

HB 1346 & SB 818 – Changes the Metropolitan Culture District sales tax election dates (Jackson County). House Bill 1346, signed 5/15. Senate Bill 818, signed 5/03.

HB 1368 – Revises the no tax due certificate requirements for administratively dissolved corporations under Section 351.488, RSMo. State income tax refunds may be offset against overpaid unemployment compensation benefits.

HB 1379 – This bill prevents a state department, division, agency, bureau, board, employee or agent from disclosing a person's social security number unless required by federal law, federal regulation or state law.

HB 1460 – Sales tax for 911 services is not to be collected prior to 36 months before operation of central dispatching system.

HB 1466 – Livestock definition is expanded to include horses, other equines, goats and rabbits, and the sale of such livestock is exempted from sales/use taxes. Slagging materials, firebrick and gases used in the manufacture of steel

products are exempted from sales/use taxes. Leased facilities qualify for electrical energy direct pay exemption. Cold storage at the production facility qualifies for electrical energy exemption. Admission charges and entry fees to the Missouri State Fair and certain other fairs are exempted from sales/use taxes. Accounting firms would no longer be eligible for sales/use tax exemption on computers, software and computer security systems purchases. Sales of barges used for transportation of property or cargo on interstate waterways are exempted from sales/use taxes (in-lieu watercraft fee would still apply to those documented with the U.S. Coast Guard).

SB 500 – Clarifies the excess revenues and the calculation of revenue distributions under Article X, Section 18 of the Missouri Constitution.

SB 640 – Extends the current state and local sales and use tax exemption for aviation jet fuel consumed at certain Missouri airports and for fuel used by certain air transportation common carriers until 12/31/01. The current exemption would expire 12/31/96.

SB 855 – Allows the Division of Employment Security to withhold federal, state and local income taxes on employment security compensation if elected by the claimant.

SB 981 – Local option use tax authorized for all cities and counties in Missouri. Proceeds of the tax in all counties, the City of St. Louis and all cities except those in St. Louis County are to be distributed to the city or county imposing the tax. Cities in St. Louis County must choose a distribution method within 30 days (keep 85% and send 15% to a pool or total pool distribution). Tax may be imposed at a rate equal to the total sales tax rates currently in effect for the city or county and will be adjusted when the sales tax rate is adjusted. Elections may be held on 8/6/96, or after 12/31/96. Taxes adopted on 8/6/96, would be effective 10/1/96, if the political subdivision notifies DOR by 8/16/96. Taxes adopted at elections after 12/31/96 would be effective the first day of the calendar quarter that begins at least 45 days after notification to DOR of adoption of the tax. Signed 5/21.

Electronic Filing Update

by Lesa Morrow, Administrator, Central Processing Bureau, (573) 751-5820

Electronic filing of Missouri returns has yielded more than 145,000 individual income tax returns this year. This is a phenomenal jump from last year's total of 47,500 returns. Missouri ranks eighth in total returns received out of thirty-two states offering federal/state electronic filing.

One change made to Missouri's electronic filing program this year was the elimination of the application process to participate in the state program. Missouri accepts all Electronic Return Originators accepted in the IRS program.

Fifteen software companies participated in Missouri's electronic filing program this year, an increase of five from last year. Several additional software companies have expressed interest in developing a package for the next filing season.

Common problems encountered this year include:

1. Signature Documents (Form MO-8453) not mailed timely.
2. Form MO-8453 mailed before Missouri acknowledgement was received.
3. Required supporting documentation such as another state's return when claiming a resident credit was not sent in with the Form MO-8453.
4. Incorrect or missing W-2 forms mailed with the Form MO-8453.
5. Income reflected on W-2 forms was not reflected on electronically filed returns.
6. Social security numbers transposed on Form MO-8453.

If you have questions, comments or suggestions concerning the electronic filing program, please write to Maria Micke, Tax Program Coordinator, P.O. Box 371, Jefferson City, Missouri 65105-0371 or call (573) 751-3930.

Court Cases

by General Counsel's Office, (573) 751-2633

Sales Tax

Greenbriar Hills Country Club v. Director of Revenue, Case No. 94-001213RV (AHC, 4/3/96).

Greenbriar Hills Country Club (Taxpayer) was assessed additional sales taxes by the Department on charges it made to its members. A set amount was charged to all members for the express purpose of providing tips to its food service employees. Taxpayer filed an untimely appeal of the assessments before the Administrative Hearing Commission (AHC). When the Director filed a Motion to Dismiss the untimely appeal, Taxpayer withdrew the appeal and paid the taxes under protest. The basis of its protest was that the charges were not subject to sales tax because they were a part of the sale price of the meals and were excluded from the tax under 12 CSR 10-3.048(7) and (8).

Regulation 12 CSR 10-3.048(7) allows a club to pay sales tax on its purchase of food and beverages which it will resell to its members in lieu of collecting sales tax on the sales to the members. 12 CSR 10-3.048(8) provides that tips assume the same character as the underlying sale of the food and beverage. Taxpayer contended that since the meals were not subject to

sales tax, the tips were not subject to sales tax. The Department denied that protest as a collateral attack on the assessments that had become final. Taxpayers appealed the denial of the protest.

The AHC found that Taxpayer was not procedurally barred from paying the taxes under protest and decided that it had jurisdiction to review the substantive legal issue. On the issue of whether the charges were subject to Missouri sales tax, the AHC found that to the extent 12 CSR 10-3.048(7) allowed a club to pay taxes on its purchases in lieu of collecting tax on its sales, it was invalid. The sales of the meals within the club, a place of amusement, were subject to Missouri sales tax, and the tips (charges), being a part of the sale price of the meals, were subject to Missouri sales tax. The AHC further found that 12 CSR 10-3.048(7) and (8) had led Taxpayer to believe that the charges were not subject to tax, and therefore, its decision was unexpected under Section 143.903, RSMo (1994). The AHC stated, based on its finding that the decision was unexpected, Taxpayer was not liable for the tax, interest or additions to tax.

Taxpayer has appealed AHC's decision that sales of meals within the club, a place of amusement, were subject to Missouri sales tax and the tips being part of the sales price of the meals were subject to Missouri sales tax.

Sales Tax

New York Carpet World of St. Louis, Inc. v. Director of Revenue, Case No. 94-001493RV (AHC, 2/27/96).

New York Carpet World of St. Louis, Inc. (Taxpayer) filed a complaint on 10/4/94, seeking the Administrative Hearing Commission's (AHC) redetermination of the Director's 9/6/94 denial of Taxpayer's sales tax refund claim. Taxpayer sought a partial refund of the sales tax that it remitted on sales of installed floor covering materials. Taxpayer claimed that no sale of tangible personal property occurred when it sold the materials because they were already part of the real property when title and ownership passed. The Director argued that the Taxpayer did not meet the requirement of 12 CSR 10-3.031 or 12 CSR 10-4.340 and was not entitled to claim it operated as a dual operator. The Director also argued that the Taxpayer's evidence showed it entered into two separate transactions, one for the floor covering materials and one for the installation of the floor covering materials. The Department argued that some or all of the floor coverings installed by the Taxpayer were not necessarily fixtures and that the Taxpayer had failed to show it was entitled to a refund under the requirements of Section 144.190.2, RSMo (1994). Last, the Department argued that it was appropriate for the AHC to consider that the Taxpayer did not intend to refund the money to its customers.

The AHC held because title to and ownership of the installed floor covering materials did not pass to the purchaser until they had become attached to and part of the real property, the transactions were not a sale at retail and were not subject to sales tax. The AHC agreed with the Department that granting Taxpayer a refund in this case was a windfall. However, according to the AHC, the Missouri Supreme Court in **Central Hardware Co., Inc. v. Director of Revenue**, 887 S.W.2d 593, 595 (Mo. banc 1994) gave it no direction as to how the seller receiving a "windfall" would affect the application of substantive tax law. It then gave no weight to this finding in reaching its conclusions.

Sales Tax

Meramec Valley Owners' Association, Inc. v. Director of Revenue, Case No. 95-000977RV (AHC, 2/22/96).

Meramec Valley Owners' Association (Taxpayer) was an association that operated a campground facility on behalf of its members. The campground was developed by a corporation that sold memberships to the public. A membership entitled the purchaser to an undivided interest in the real property upon which the campground was located. Taxpayer charged each member membership dues based on the type of membership purchased. The declaration of restrictions filed on the real property provided that no member could establish a permanent residence within the campgrounds. The Department assessed the association sales tax on its gross receipts from the membership dues. Taxpayer appealed the assessments based on a claim that it was a homeowners' association. Its contention was that Regulation 12 CSR 10-3.176(15) excluded its membership dues from taxation. It also claimed that it was not engaged in business as defined in Section 144.010.1(2), RSMo (1994).

The Administrative Hearing Commission (AHC) rejected the Taxpayer's claim that it was a homeowners' association as defined in 12 CSR 10-3.176(15). The AHC noted the prohibition of permanent residence contained in the restrictions. The AHC also rejected the Taxpayer's contention that it was not engaged in business. The AHC concluded that the membership dues were fees paid to or in a place of amusement and subject to Missouri sales taxes.

Sales Tax

Lander Bookbinding Corporation v. Director of Revenue, Case No. 95-000643RV (AHC 1996).

Lander Bookbinding Corporation (Taxpayer) engaged in the business of providing bookbinding and other printing services for its customers. It purchased various pieces of machinery and equipment for use in performing the services necessary to produce the products requested by its customers. It did not sell any of the products that were produced as a result of its services. The Department conducted an audit of the Taxpayer's business records and assessed sales and use taxes on its purchase of the machinery and equipment.

On appeal, the Taxpayer argued that its purchases of machinery and equipment were exempt from Missouri sales and use taxes under Section 144.030.2, subsection 2 (ingredient/component part), subsection 4 (product/design change) and subsection 5 (new or expanded plant). Other issues were whether the Tax-

payer was engaged in manufacturing and whether certain packing materials were purchased for resale.

The Department conceded that the company was engaged in manufacturing under Missouri case law but argued that the Taxpayer failed to qualify for the exemptions claimed because the Taxpayer was engaged in business as a service provider. The Department contended that in order to qualify for the exemption, a manufacturer must not only manufacture the product but it must also sell the product. The Department disputed the claim of purchases for resale and it argued that the Taxpayer had failed to meet its burden of establishing that the machinery and equipment met the other requirements of the exemption statutes.

The Administrative Hearing Commission (AHC) found that the Taxpayer was a manufacturer and qualified for exemption under the cited subsections of Section 144.030.2, RSMo (1994). It rejected the Department's argument that the exemption

should be limited to those manufacturers who actually sold the manufactured product. The AHC concluded that exemptions applied to the type of property purchased and did not identify the user of the property. From this reasoning and its conclusion that the statute did not contain the limitation sought by the Department, the AHC found that the purchases were exempt from the imposition of sales/use taxes if the other requirements were met. It found that as to some of the purchased machinery and equipment, the Taxpayer failed to meet its burden of proof because there was insufficient evidence to establish the Taxpayer's purposes for purchasing the equipment. Finally, the AHC found that the packing related materials were excluded from the imposition of sales/use taxes because the materials were resold.

Letter Rulings

by General Counsel's Office (573) 751-2633

The following is a list of the letter rulings issued during the period of January 1996 to May 1, 1996.

L8215 Taxability of Turkey Coops	L8736 Fishing Tournament
L8291 Ingredient of Component Part	L8739 Clubroom Sales
L8426 Taxability of Cellular Telephone Services	L8741 Printing Delivered Out-of-State
L8466 Charity-Low Income Housing	L8762 In-Room Movies
L8588 Clothing Alterations	L8809 Software Licenses
L8602 Business Meetings/Seminars	L8814 Consolidated Group Seeks Offset of Income Tax
L8606 Installation of Mobile Phone Equipment	L8823 Tax Situs of Leased/Rented Equipment
L8607 Customer Supplied Paper	L8825 Veterinary Supplies
L8651 Airplane Lease	L8846 Sales Tax on Newsprint Advertisements
L8659 Allocation of Credits	L8862 Plant Expansion Exemption
L8674 Project Exemption Certificate	L8865 Orthotics & Prosthetics - Medicare Payments
L8681 Resale of Cellular Phones	L8876 Computers - Software Upgrades
L8682 Sale of Manufacturing Plant	L8900 Personal Property Tax Payments
L8692 Satellite Television Services	L8901 Out-of-State Customer
L8697 Sales Approved Out-of-State	

Copies of the sanitized version of these letter rulings are available at a cost of \$1.10 plus sales tax of 6.225% each by writing to the Department of Revenue, General Counsel's Office, P.O. Box 475, Jefferson City, MO 65105-0475. Copies may also be obtained from the Department's Bulletin Board System (MODOR BBS (573) 751-7846).

Rules Take Effect

by Vickie Wood, Office of Legislation and Regulation, (573) 751-2110

There are several rules relating to taxes that either have recently gone into effect or will become effective in the near future. A short recap of each rule is listed below along with the rule number and remarks about the effective date of the regulation.

12 CSR 10-3.274 Farm Machinery and Equipment. This amendment clarifies the exemption for certain farm machinery and equipment as modified by the passage of Senate Bill 374 during the 1995 legislative session. A list of "usually taxable" and "usually exempt" items is contained in this rule. Senate Bill 374 states that equipment and machinery should not lose its exempt status because the item is attached to a motor vehicle or real property.

Order of Rulemaking - Appeared in the 4/1/96 *Missouri Register*.

12 CSR 10-3.896 Auctioneers, Brokers and Agents. This rule clarifies whether auctioneers, brokers and agents must collect sales tax on sales made on behalf of third parties.

Order of Rulemaking - Appeared in the 4/1/96 *Missouri Register*.

12 CSR 10-2.710 Net Operating Losses on Individual Income Tax Returns. This rule explains the proper Missouri income tax treatment of net operating losses by individuals.

Order of Rulemaking - Appeared in the 4/15/96 *Missouri Register*.

12 CSR 10-41.010 Annual Adjusted Rate of Interest. This amendment established the 1996 annual adjusted rate of interest to be charged or paid on tax underpayments and overpayments at 9% as prescribed by Section 32.065, RSMo.

Emergency Amendment - Appeared in the 1/16/96 *Missouri Register*. Effective 1/1/96, expires 6/28/96.

Order of Rulemaking - Appeared in the 5/1/96 *Missouri Register*.

12 CSR 10-2.720 Reporting Requirements for Individual Medical Accounts. This rule provides the reporting requirements for individual medical accounts.

Order of Rulemaking - Appeared in the 6/3/96 *Missouri Register*.

12 CSR 10-3.620 Review of Assessments by the Administrative Hearing

Taxpayer Assistance Department of Revenue Field Offices

Cape Girardeau

3102 Blattner, Suite 102
P.O. Box 909
Cape Girardeau, MO 63702-0909
(573) 290-5852

Jefferson City

1617 Southridge Dr.
P.O. Box 385
Jefferson City, MO 65105-0385
(573) 751-7191

Joplin

1110 E. Seventh St., Suite 400
Joplin, MO 64801-2286
(417) 629-3070

Kansas City

State Office Building, Rm B2
615 East 13th St.
Kansas City, MO 64106-4039
(816) 889-2944

Kirkville

300 E. Northtown Road, Suite B
Northtown Shopping Center
P.O. Box 964
Kirkville, MO 63501-0964
(816) 785-2412

St. Joseph

State Office Building, Rm 314
525 Jules
St. Joseph, MO 64501-1900
(816) 387-2230

St. Louis

2510 South Brentwood, Suite 300
Brentwood, MO 63144-2391
(314) 968-4740

Springfield

State Office Building, Rm 313
149 Park Central Square
Springfield, MO 65806-1386
(417) 895-6474

Other Important Phone Numbers

Form ordering
(toll free) (800) 877-6881
Form order questions (573) 751-5337
Forms by Fax (573) 751-4800
Department of Revenue Bulletin
Board System (573) 751-7846
Electronic Filing
Information (573) 751-3930
Individual Income/Property
Tax Credit Refund
Inquiry Line (800) 411-8524

Commission. This rule is amended to lengthen the time-period within which a taxpayer must appeal a final decision of the Department of Revenue from 30 days to 60 days in accordance with Senate Bill 477 which was effective 8/28/94.

Order of Rulemaking - Appeared in the 6/3/96 *Missouri Register*.

12 CSR 10-4.240 Administrative and Judicial Review. This rule is amended to lengthen the time-period within which a taxpayer must appeal a final decision of the Department from 30 days to 60 days in accordance with Senate Bill 477 which was effective 8/28/94.

Order of Rulemaking - Appeared in the 6/3/96 *Missouri Register*.

12 CSR 10-16.040 Tax Evidenced by Stamps. This amendment clarifies that the use of metering machines will no longer be permitted for indicating the payment of cigarette tax in the state of Missouri, only decal stamps will be permitted. This amendment will be effective 1/1/97.

Order of Rulemaking - In waiting period until 5/18/96 with the Joint Com-

mittee on Administrative Rules.

12 CSR 10-16.080 Use of Meter Machines. This rule is being rescinded because the use of metering machines will no longer be permitted for indicating the payment of cigarette tax in the state of Missouri; only decal stamps will be permitted. This rescission would be effective 1/1/97.

Order of Rulemaking - In waiting period until 5/18/96 with the Joint Committee on Administrative Rules.

12 CSR 10-2.190 Partners & S Corporation Shareholders Composite Individual Income Tax Return Filing Requirements & Withholding of Income Tax. This amendment clarifies the procedure for withholding income tax on nonresident partners and S corporation shareholders.

Proposed Amendment - Appeared in the 4/1/96 *Missouri Register*. In comment period until 5/1/96.

If you would like to receive a copy of any of the rules listed above, please contact the Secretary of State, Administrative Rules Division, P.O. Box 778, Jefferson City, MO 65102.

What To Expect On A Sales Tax Audit

by David E. Nitz, Tax Auditor II,
Division of Compliance

"Hello, my name is John Doe, tax auditor with the Missouri Department of Revenue. I have been assigned to conduct a sales tax audit of your business."

These two sentences may bring horror to many a business owner, but understanding the process can greatly reduce your anxiety.

As a tax auditor for the Department's Field Audit Bureau, it is my duty to conduct compliance audits in the areas of sales tax, use tax and withholding tax. These audits serve the purpose of bringing as many companies as possible into compliance with the tax laws of Missouri. It is a simple process that we attempt to make as painless as possible.

An audit assignment begins with the auditor either placing a phone call or sending a letter to the taxpayer in order to set a date for an initial meeting. (Be leery if someone shows up out of the blue and demands to see your records because that person may not be with the Department of Revenue.) The initial meeting lasts anywhere from a few minutes to an hour. This meeting will include discussion of a list of questions designed to help the auditor understand the day to day workings of the business. The auditor will inquire as to the business' accounting procedures, tracing the steps from when the sale is made to when it is reported to the state of Missouri. The auditor will provide an audit Authorization Letter for you to sign and will explain what records are required to complete the audit. A productive "pre-audit" meeting will permit the auditor to leave you to your business while he or she conducts the audit.

Generally, the auditor will allow a couple of weeks for you to provide all the records requested. When the audit is begins, the auditor will arrive at the business with computer, notebook, pencil and calculator in hand. If all the requested information is provided, you can return to your business and be virtually left alone until the audit is com-

pleted. The auditor will run a series of checks and balances to determine if the business' system of record keeping is functioning correctly. Next, the auditor will begin sifting through both purchase and sales invoices and cross checking the invoices to the business' reports and the amounts reported on the returns. Depending on the volume of invoices, the auditor may look at all invoices or a sample selection. The auditor will also examine the amounts withheld from your employees' paychecks to determine if all amounts withheld were properly remitted to the Department.

At the close of the audit, the auditor will present you with a copy of the audit workpapers. If there are no problems with the audit, then "Congratulations" are due. If there are problems, you have additional time to review the audit. Generally audit findings may be

reduced when additional documentation is provided. The items noted in the audit workpapers will be reporting errors and transactions not properly supported. If you agree with these findings, you will pay the additional tax due. If you disagree, you may ask for an informal review or appeal the audit assessment. The auditor will explain the appeals process to you.

In conclusion, an organized and complete set of business records greatly facilitates an audit. Finally, if at any time you have a question pertaining to sales, use or withholding tax, look in the "Government" section of the white pages under "Missouri Department of Revenue, Field Audit Bureau," and give us a call. There is always an auditor available to answer your questions.

The Department of Revenue On-line

by Rob Davis, Senior Publications Specialist, Office of Divisional Support Services,
(573) 751-6787

Internet/World Wide Web - The Department has recently established a presence on the Internet with its Home Page on the World Wide Web. Individuals with access to the Internet can obtain informational materials and Missouri tax forms via our home page. The address for our home page is: <http://www.state.mo.us/dor>

Forms by Fax - This on-line system enables individuals to retrieve tax forms via a fax machine. This system is available 24 hours a day, 365 days a year by calling (573) 751-4800 from the handset of any fax machine. Once on-line, the system will take you through the steps necessary to download the desired forms. To obtain a listing of forms available, please download the Master Document List "number 1" from the Forms by Fax system. Recent updates to this system include the addition of federal income tax forms and the expansion of incoming lines from four to eight.

MODOR BBS - This on-line system enables individuals to obtain tax forms and informational material via a personal computer. The system is available 24 hours a day, 365 days a year by dialing (573) 751-7846 from any personal computer equipped with a modem and communications software. Recent updates to this system include the addition of federal income tax forms, expansion of incoming lines from four to eight and upgrading the modems to 28.8 Kbps.

Refund Inquiry Line - This automated system enables individuals to check on the status of their current year individual income/property tax credit refunds via a tone generating telephone. The inquiry line is available 24 hours a day, 365 days a year by calling (800) 411-8524. The following information is needed to obtain the status of a refund: 1) the first social security number on the return, 2) the filing status and 3) the exact amount of the expected refund.

Tax Calendar

Due Dates for July – October 1996

July

- 1 Motor Fuel/Special Fuel Reports
- 3 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 10 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 15 Cigarette Tax Credit Account and Return
Other Tobacco Products Monthly Report
- 18 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 22 Cigarette Tax Cash Account Return
- 25 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 31 Monthly Sales/Use Tax Returns
Quarterly Sales/Use Tax Returns
Quarter-Monthly Withholding
Reconciliation
Quarterly Withholding Returns
Monthly Withholding Returns
Motor Fuel/Special Fuel Reports
Tire Fee
Quarterly Insurance Tax Payments
Quarterly Interstate Fuel Tax
User Reports

August

- 5 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 12 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 15 Individual Income Tax with
Automatic Extension
Quarter-Monthly Withholding
Reconciliation

- Monthly Withholding Returns
Cigarette Tax Credit Account and Return
Other Tobacco Products Monthly Report
- 20 Monthly Sales/Use Tax Returns
Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
Cigarette Tax Cash Accounts
- 27 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment

September

- 3 Motor Fuel/Special Fuel Reports
Quarterly Insurance Tax Payments
- 5 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 11 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 16 Estimated Tax Declarations for
Individuals
Declaration of Estimated for Calendar
Year Corporations
Quarter-Monthly Withholding
Reconciliation
Monthly Withholding Returns
Cigarette Tax Credit Account and Return
Other Tobacco Products Monthly Report
Calendar Year Cooperatives with
Extension
- 18 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 20 Monthly Sales/Use Tax Returns
Cigarette Tax Cash Accounts Return
- 25 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment

- 30 Motor Fuel/Special Fuel Reports

October

- 3 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 10 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 15 Corporation Income Tax with
Automatic Extension
S Corporation Income Tax with
Automatic Extension
Fiduciary Income Tax with
Approved Extension
Partnership Income Tax with
Approved Extension
Cigarette Tax Credit Account and Return
Other Tobacco Products
Monthly Reports
- 18 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 21 Cigarette Tax Cash Accounts Return
- 25 Quarter-Monthly Sales Tax
Quarter-Monthly Withholding Payment
- 30 Quarterly Insurance Tax Payment
- 31 Monthly Sales/Use Tax Returns
Quarterly Sales/Use Tax Returns
Quarter-Monthly Withholding
Reconciliation
Quarterly Withholding Returns
Monthly Withholding Returns
Motor Fuel/Special Fuel Reports
Tire Fee
Quarterly Interstate Fuel Tax
User Report

Tax Bulletin
Missouri Department of Revenue
P.O. Box 629
Jefferson City, MO 65105-0629

BULK RATE U.S. POSTAGE PAID Jefferson City, MO Permit No. 122
--